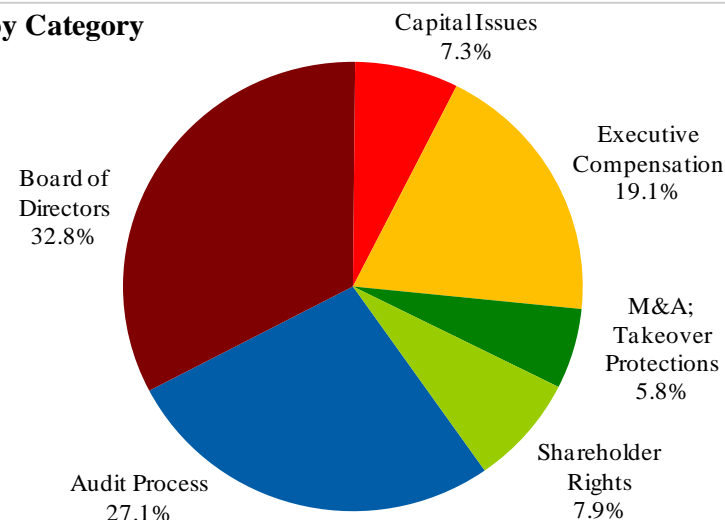


The following is a sample of bcIMC's engagement during the quarter on corporate governance issues, except for the "Proxy Votes" table which presents a complete Q4-09 record. We also prepare a full confidential report on our quarterly activities for our clients.

Proxy Votes

Issue Category	Number of Companies	Number of Issues	bcIMC Voted FOR	bcIMC Voted AGAINST
Audit Process	89	94	82	12
Board of Directors	108	116	86	30
Capital Issues	24	38	27	11
Executive Compensation	63	86	35	51
M&A; Takeover Protection	19	20	19	1
Shareholder Rights	26	29	15	14

Votes by Category



Vote Highlights

- **Contrans Income Trust** (Canada) – Voted **AGAINST** the reorganization of the trust into a public company. The Trust has a dual class share structure, which would be transferred to the new company and bcIMC felt that the corporate restructuring should have been an opportunity to implement a more egalitarian voting structure (one share, one vote).
- **Coach** (U.S.) – Voted **AGAINST** the director nominees on the Human Resources Committee for entering into an executive employment agreement that provides for annual guaranteed bonuses. We do not support granting guaranteed bonuses as they disconnect pay from long-term company growth and shareholder returns.
- **Diageo PLC** (U.K.) – This was a request for shareholders to offer a "say on pay". We voted **AGAINST** because, to reflect the changed environment in which the company is operating, the board adjusted its remuneration policy for 2009/10 by reducing earnings per share growth targets to achieve vesting under the Executive Share Option Plan. We would expect to see a commensurate reduction in award levels under the Plan in-line with the reduction of the performance targets but this did not occur.

Direct Company Engagement

Company	Issue	Best Practice Standard
Industrial Alliance, Russel Metals (Canada)	Executive compensation	Executive pay should be transparent, reasonable, linked to long-term company results (e.g., EPS, ROIC, total shareholder return), and not reward excessive risk-taking. In private meetings with each company, we found clear evidence of pay for performance linkages.
Metro (Canada)	Director election	Director nominees who receive a greater number of shareholder votes "withheld" than votes "for" should tender their resignation/decline nomination to the board. The company will likely adopt a majority vote director election policy effective for their 2011 AGM.

Investor Coalition Activity

Coalition	Activity
<p>Canadian Coalition for Good Governance (CCGG)</p>	<p>bcIMC has been an active member of the CCGG for several years and in Q4 2009, the Coalition published a recommended board policy on an annual shareholder advisory vote on executive compensation, commonly known as “say on pay”. The CCGG Model “Say on Pay” Policy for Boards of Directors is available at www.ccg.ca. The CCGG suggests that boards voluntarily add the recommended say on pay policy to each annual meeting agenda so that there is consistency among companies on the question put to shareholders. Also, there would be consistency with how boards treat the results of the advisory vote. The recommended outcomes in the CCGG policy are:</p> <p><i>“In the event that a significant number of shareholders oppose the resolution, the board will consult with its shareholders to understand their concerns and will review the company’s approach to compensation in the context of those concerns. Shareholders who have voted against the resolution will be encouraged to contact the board to discuss their specific concerns.</i></p> <p><i>The board will disclose to shareholders as soon as practicable (ideally within 6 months), and no later than in the management proxy circular for its next annual meeting, a summary of the comments received from shareholders in the engagement process and the changes to the compensation plans made or to be made by the board (or why no changes will be made).”</i></p>
<p>Asian Corporate Governance Association (ACGA)</p>	<p>In January 2010, one year after January 2009’s accounting fraud at Satyam, an Indian software company, the ACGA published a white paper with a series of proposed corporate governance reforms in the country. The ACGA White Paper on Corporate Governance in India was produced with input from a number of the world’s largest pension fund managers including bcIMC, California Public Employees’ Retirement System (CalPERS), PGGM Investments, F&C Asset Management and Hermes Fund Managers. The report sets out several critical corporate governance areas that need to be addressed in India, including:</p> <ul style="list-style-type: none"> → Better corporate disclosure and governance of the audit profession by an independent Indian audit regulator. Following the 2009 accounting fraud at Satyam, questions were raised by investors over the quality of the company audit. → Greater accountability of controlling shareholders and the regulation of related party transactions. → Improvements in shareholder voting, including enhanced quality, transparency and reliability of shareholder meeting agendas, a recommendation that the Securities and Exchange Board of India encourage the top 100 listed companies in India to start voting by poll as soon as possible and encouragement for Indian companies to allow proxies to speak at shareholder meetings. <p>The white paper is available at www.acga-asia.org.</p>
<p>Ethos Foundation</p>	<p>In Q4 2009, bcIMC joined a collaborative engagement led by the Ethos Foundation, a coalition of about 80 institutional investors of which the majority are Swiss pension funds aimed at promoting sustainable development and good corporate governance. We and 29 other institutions from around the world supported Ethos’ engagement with several leading Swiss companies on giving shareholders a say on executive remuneration as “a step toward better self regulation with regard to executive remuneration and enhanced shareholder democracy in Switzerland.” Following the dialogue between Ethos and the targeted companies, Zurich Financial Services and Swiss Re have agreed to submit their remuneration report to an advisory vote of the shareholders at their 2010 annual general meeting. Also, Novartis has decided to introduce an advisory vote of the remuneration structure every three years (at least) or whenever important changes to the remuneration system are implemented. To date, including these 3 companies, ten companies out of the 20 Swiss large caps have agreed to voluntarily implement an advisory vote on their remuneration report/system.</p>

Public Policy Engagement

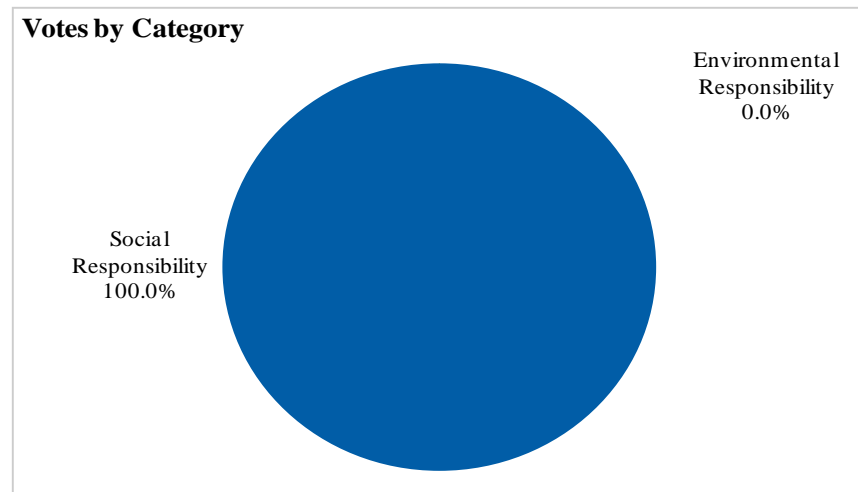
Issue	Activity
<p>Canadian Securities Administrators (CSA)</p>	<p>In November, the Canadian Securities Administrators (CSA) postponed a proposed overhaul of Canada’s corporate governance rules after investors, including bcIMC, and companies consistently commented that there is no need to modify the existing governance standards that have been commonly accepted by the Canadian marketplace. The regulators held a comment period that ran through last spring, and received dozens of responses from capital market participants that generally opposed making the reforms suggested by the CSA. For example, bcIMC opposed the fact that the proposed changes would have replaced the current corporate governance guidelines, which are relatively specific, with vague, broad principles.</p>
<p>Securities and Exchange Commission (SEC)</p>	<p>In mid-December, new corporate governance disclosure rules were approved by the U.S. Securities and Exchange Commission (SEC) and will become effective/applicable to U.S. registered companies on Feb 28, 2010. Most of the new rules are already found in Canadian law and/or regulations, but some areas of disclosure are more robust and could eventually find their way into Canada. For example, companies must now disclose:</p> <ul style="list-style-type: none"> → Whether the board has a policy on diversity when selecting board nominees and if so, how it is implemented and how the board monitors its effectiveness. The rules do not define “diversity” but the SEC comments that some companies may consider diversity to include not only race, gender and national origin but also different viewpoints, professional experience, education and skills. → The extent of the board’s role in the oversight of risk, including a description of the structures the board has in place to administer its oversight of risk, (i.e. through the entire board, an existing committee or a separate risk committee), whether executives who deal with day-to-day risk report directly to the board as a whole or to a committee, and how this reporting occurs. → Any risks related to compensation policies and practices if they are reasonably likely to have a material adverse effect on the company. The new rule provides examples of situations that could trigger the disclosure obligation, including if a particular business unit is significantly more profitable than other units or has compensation expenses that are a significant percentage of the company’s revenues.

RESPONSIBLE INVESTING HIGHLIGHTS - ENVIRONMENTAL & SOCIAL RESPONSIBILITY

Q4 2009

The following is a sample of bcIMC's engagement during the quarter on issues of corporate responsibility, except for the "Proxy Votes" table which presents a complete Q4-09 record. We also prepare a full confidential report on our quarterly activities for our clients.

Proxy Votes				
Issue Category	Number of companies	Number of Issues	bcIMC Voted FOR	bcIMC Voted AGAINST
Environmental Responsibility	0	0	0	0
Social Responsibility	7	9	3	6



Vote Highlights

- **Cisco Systems** (U.S.) – Voted **FOR** a shareholder proposal requesting that the Board publish a report to shareholders providing a listing of concrete steps the company could reasonably take to reduce the likelihood that its business practices might enable or encourage the violation of human rights, including freedom of expression and privacy. Additional information on the company's policies and practices related to doing business with governments that restrict certain human rights could be further beneficial to shareholders without significant expense or burden on the company. This disclosure is currently in place at peers such as Yahoo, Google, and Microsoft.
- **Archer Daniel Midland** (U.S.) – Voted **FOR** a request that the company commit to implementing a code of conduct based on the International Labor Organization (ILO) conventions on workplace rights and the United Nations' Norms on the Responsibilities of Transnational Corporations with Regards to Human Rights (UN Norms) at its international production facilities and those of its international suppliers. The proposal also called on the company to commit to a program of outside, independent monitoring of these standards.

Direct Company Engagement

Company	Issue	Best Practice Standard
5 multi-national companies including Bharat Electronics (India), Petrofac (U.K.), PTT Public Co (Thailand) and Seadrill (Norway)	Risks of operating in a conflict region (Sudan)	In correspondence to the Chair and CEO of each company, bcIMC questioned their economic involvement and how they are factoring the unique risks (including reputation damage, employee safety, lawsuits for human rights violations, and uncertain rule of law) of their Sudan operations into company policies and business processes. We also questioned the potential for their operations to cause or fuel conflict and the actions that they are taking to prevent conflict or contribute to peace building in Sudan.
Thompson Creek Minerals (Canada)	Employee health and safety	In a meeting with the CEO, we discussed the Company's employee safety record in terms of it being well above the national average in Canada and the U.S. The CEO is proud of the company's safety initiatives and results.

Investor Coalition Activity

Coalition	Activity
Climate Change Scenario and Strategic Asset Allocation Research Project	bcIMC has joined 13 other leading asset managers from around the world, including the Norwegian Government Pension Fund, CalPERS, and APG Asset Management, the wholly-owned fund manager of the €180 billion Dutch civil servants pension fund, on a unique research project examining the implications of climate change on strategic asset allocation. Mercer, the global investment consulting firm, is coordinating the research project. Also involved in the project is Sir Nicholas Stern, the author of an influential U.K. government report on the cost of global warming, and the Grantham Research Institute at the London School of Economics. In deciding to participate in the project, bcIMC felt that traditional long-term asset allocation approaches have not taken climate risks, or opportunities, sufficiently into account. This project seeks to address that gap. The following is a quote from Doug Pearce, bcIMC’s CEO/CIO: <i>“Although we acknowledge that global warming will have wide-ranging impacts on economies and financial markets, long-term investors like bcIMC are uncertain what this will mean for our global investment strategy and how we can best prepare for this challenge, both from a risk and a return perspective. Our goal with this research project is to develop a better understanding of how to manage these uncertainties.”</i> The research will take approximately 1 year and will culminate in a publicly available report. Each investor partner in the project will also receive their own tailored report assessing their unique asset mix, highlighting the implications of climate change for investment risk and returns at the total portfolio level.
Carbon Disclosure Project (CDP)	In November 2009, bcIMC joined 31 other UN PRI investors, representing US\$ 3.2 trillion in assets, in a collaborative engagement targeting companies in carbon intensive sectors that have not reported on greenhouse gas emissions or have not yet set an emissions reduction plan, according to their response to the 2009 Carbon Disclosure Project (CDP) questionnaire. The group issued correspondence to approximately 100 companies around the world setting out our support for the Carbon Disclosure Project (CDP), an initiative which collects critical climate change data from the world’s largest corporations – data that informs the global market place on investment risk and commercial opportunity. To date 30 of the 98 companies contacted have responded to the group.

Public Policy Engagement

Issue	Activity
Securities and Exchange Commission (SEC)	Shareholders achieved a momentous victory in late January when the U.S. Securities and Exchange Commission (SEC) issued new interpretive guidance that clarifies what publicly-traded companies need to disclose to investors in terms of climate-related ‘material’ effects on business operations, whether from new emissions management policies, the physical impacts from changing weather or business opportunities associated with the growing clean energy economy. Until now, the lack of specific guidance has resulted in weak and inconsistent climate-related disclosure by U.S. public companies. The historical SEC decision comes after formal requests by more than a dozen leading investors, managing over \$1 trillion in assets, including bcIMC, asked for environmental disclosure clarification in petitions filed with the Commission in 2007, 2008 and 2009. The guidance is the first economy-wide climate risk disclosure requirement in the world.
Principles for Responsible Investment (PRI)	There is currently a heated debate on how Canadian extractive industry companies (mining, oil and gas) work in emerging markets. As an investor in these companies, bcIMC is closely following the debate around the potential passage of Bill C-300: “An Act respecting Corporate Accountability for the Activities of Mining, Oil or Gas in Developing Countries.” The private member’s bill, if passed, would force the government to create corporate guidelines consistent with Canada’s international commitments on human rights and environmental sustainability. Companies that fail to comply with the guidelines would be ineligible for funding from Export Development Canada (EDC). The mining industry is against the bill because they believe that companies would be subject to many “frivolous” government investigations that would cost them time and money and harm their reputations. Also, they point out that the threat of losing financing from EDC would make it very difficult for them to build joint ventures and develop mines, since those huge investments require certainty of financing. If they lost that financing, they warn that the projects would either not get developed or would get taken away by rival foreign companies with less regard for corporate social responsibility. In bcIMC’s view, this bill would create a significant incentive for companies to operate in a responsible manner no matter where they do business.

bcIMC'S MORTGAGE DEPARTMENT—TAKING STEPS TO MAKE COMMERCIAL REAL ESTATE MORE ENERGY EFFICIENT

On behalf of our clients, bcIMC owns commercial real estate properties directly in our real estate portfolio and indirectly in our mortgage portfolio. Whether we own real estate directly or indirectly, we understand that we must commit to taking action to make our buildings more energy efficient. Our actions will reduce investment risk, enhance property value and lessen the threats of global warming.

In this context, bcIMC's Mortgage Department recently adopted a new credit risk rating procedure for commercial building underwriting and valuation purposes. The procedure was derived from the Department's belief that it is necessary to identify and reward lower risk mortgage properties that have energy conservation initiatives associated with them.

"Green" commercial real estate is now formally recognized by bcIMC's Mortgage Department as having lower credit risk and being more desirable mortgage assets. We see this as a new and meaningful element of our environmental, social and governance (ESG) integration strategy, consistent with the UN Principles for Responsible Investment (UN PRI) which bcIMC endorses.



bcIMC holds the mortgage on the building shown here. The property is Bell Corporate Centre, located in immediate proximity to the Toronto International Airport in one of Mississauga, Ontario's premier business parks. Bell Corporate Centre is a high quality, newly constructed, 348,000 square foot, state-of-the-art office building located within a three building complex that totals 1.1 million square feet. This 5-storey class A suburban office building is 100% leased to Bell Canada for a 20 year term under a fully net lease.

The building is LEED Certified and one of its key features is its use of natural light. The lighting systems are a complement to the natural light, which is acquired through the use of large windows and a narrow building design, rather than the standard approach of using natural light as the secondary source of lighting.